

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE SOUTHERN DISTRICT OF TEXAS  
HOUSTON DIVISION**

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| <b>In re:</b><br><br><b>CORE SCIENTIFIC, INC., <i>et al.</i>,</b><br><br><b>Debtors.<sup>1</sup></b> | <b>§<br/>§<br/>§<br/>§<br/>§<br/>§<br/>§</b> | <b>Chapter 11</b><br><br><b>Case No. 22-90341 (CML)</b><br><br><b>(Jointly Administered)</b> |
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**NOTICE OF FILING OF DEMONSTRATIVE TO BE USED BY THE DEBTORS AT  
THE OCTOBER 23, 2023 STATUS CONFERENCE AT 10:00 A.M (CENTRAL TIME)**

**PLEASE TAKE NOTICE** that a status conference will be held on **October 23, 2023 at 10:00 a.m. (Prevailing Central Time)** (the “**Status Conference**”) before the Honorable Christopher M. Lopez, United States Bankruptcy Judge, in the United States Bankruptcy Court for the Southern District of Texas, 515 Rusk Avenue, Courtroom 401, 4th floor, Houston, Texas 77002 (the “**Bankruptcy Court**”).

**PLEASE TAKE FURTHER NOTICE** that the Debtors’ undersigned counsel will present a PowerPoint demonstrative, attached hereto as **Exhibit A**, to the Bankruptcy Court at the Status Conference.

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<sup>1</sup> The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, are as follows: Core Scientific Mining LLC (6971); Core Scientific, Inc. (3837); Core Scientific Acquired Mining LLC (6074); Core Scientific Operating Company (5526); Radar Relay, Inc. (0496); Core Scientific Specialty Mining (Oklahoma) LLC (4327); American Property Acquisition, LLC (0825); Starboard Capital LLC (6677); RADAR LLC (5106); American Property Acquisitions I, LLC (9717); and American Property Acquisitions VII, LLC (3198). The Debtors’ corporate headquarters and service address is 210 Barton Springs Road, Suite 300, Austin, Texas 78704.

Dated: October 23, 2023  
Houston, Texas

Respectfully submitted,

/s/ Alfredo R. Pérez

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*Attorneys for Debtors*

*and Debtors in Possession*

**Certificate of Service**

I hereby certify that on October 23, 2023, a true and correct copy of the foregoing document was served by the Electronic Case Filing System for the United States Bankruptcy Court for the Southern District of Texas.

/s/ Alfredo R. Pérez

Alfredo R. Pérez

**EXHIBIT A**



## Status Conference Presentation

October 23, 2023

Weil

# Roadmap

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# Overview and Case Status

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# Background

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- Core Scientific, Inc. (together with its debtor affiliates, the “**Company**” or the “**Debtors**”) was founded in 2017 as a blockchain infrastructure, hosting provider, and digital asset mining company.
- The Company’s revenue streams are from bitcoin it mines for its own account (self-mining) and for providing hosting services to third-party customers.
  - Since inception, the Company has built a considerable asset base of approximately 145,000 miners, gained market trust as a premier hosting provider, and demonstrated a multi-year track record of successful management of their businesses.
  - Self-mining is the Company’s most profitable business segment.
- The Company has eight fully operational data centers, all located in the U.S., in Texas, Georgia, Kentucky, North Carolina, and North Dakota.
- The Company employs approximately 275 full-time employees.
- The Company has been and remains cash flow positive before debt service.
- In 2021, the Company engaged in two transactions that have shaped its current corporate structure.
  - The Company acquired one of its largest customers, Blockcap, Inc., significantly increasing the number of miners owned by the Company and expanding the Company’s self-mining operation.
  - The Company entered into a SPAC merger during which the Company merged with Delaware corporation XPDI, which in turn changed its name to Core Scientific, Inc.
- After going public at the start of 2022, the Company experienced tremendous growth measured both by total revenue and gross profit.



## **Circumstances Leading to These Chapter 11 Cases**

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Decline in the Price of Bitcoin

Increase in Power Costs

Celsius' Nonpayment and Related Litigation

Significant Construction Costs for Build Out of Mining Facilities

High Equipment Financing Indebtedness and Amortization

Acceleration of Equipment Financing Debt and Corresponding Cross Default  
Under Convertible Notes

Litigation and Other Debts

# Key Parties

| Company's Management Team                               |               |
|---|---------------|
| Chief Executive Officer                                 | Adam Sullivan |
| Senior Vice President of Capital Markets & Acquisitions | Michael Bros  |
| Chief Legal Officer                                     | Todd DuChene  |

| Company's Board of Directors and Special Committee Members |   |
|--|---|
| Chairman of the Board                                      | Mike Levitt   |
| Special Committee Members                                  | Neal P. Goldman and Kneeland Youngblood                   |
| Other Board Members  | Darin Feinstein, Jarvis Hollingsworth, and Matthew Minnis |

| Key Ch. 11 Party   | Advisors   |
|--|--|
| Company  | Weil, Gotshal & Manges, LLP (Counsel)<br>PJT Partners LP (Investment Banker)<br>AlixPartners LLP (Financial Advisor) |
| Ad-Hoc Group of Convertible Noteholders (the "Ad Hoc Group")             | Paul Hastings LLP (Counsel)<br>Moelis (Investment Banker)  |
| Equipment Lenders  | Various Professionals  |
| Unsecured Creditors Committee (the "UCC")                                | Willkie Farr & Gallagher LLP (Counsel)<br>Ducera Partners LLC (Investment Banker)                                    |
| B. Riley Financial Group (DIP Lender and Prepetition Unsecured Creditor) | Choate, Hall & Stewart LLP (Counsel)   |
| Official Equity Committee  | Vinson & Elkins LLP (Counsel)<br>FTI Consulting, Inc. (Financial Advisor)  |

# Major Claims Held Against the Debtors

| Class and Designation  | Estimated Allowed Amount <sup>1</sup> |
|--|---------------------------------------|
| <b>DIP Claims</b>  | <b>\$15.5 million<sup>2</sup></b>     |
| <b>Class 1</b><br><b>April Convertible Notes Secured Claims</b>  | <b>\$350 million<sup>3</sup></b>      |
| <b>Class 2</b><br><b>August Convertible Notes Secured Claims</b> | <b>\$360 million<sup>4</sup></b>      |
| <b>Class 3</b><br><b>Miner Equipment Lender Secured Claims</b>   | <b>\$253.7 million<sup>5</sup></b>    |
| <b>Class 4</b><br><b>Other Secured Claims</b>                    | <b>\$20.6 million</b>                 |
| <b>Class 5</b><br><b>M&amp;M Lien Secured Claims</b>             | <b>\$36.1 million<sup>6</sup></b>     |
| <b>Class 6</b><br><b>Secured Mortgage Claims</b>                 | <b>\$0.8 million</b>                  |
| <b>Class 8</b><br><b>General Unsecured Claims</b>                | <b>\$79.8 million<sup>7</sup></b>     |

(1) Unless otherwise specified the amounts in this column include estimated Allowed Claim amounts plus applicable postpetition interest through an assumed Effective Date of December 31, 2023. These figures are solely estimates and may not reflect the value of the Claims that will ultimately be Allowed.

(2) During the cases, the Debtors have repaid approximately \$21.4 million of the DIP facility.

(3) This reflects the settled amount pursuant to the Mediated Settlement. If emergence is after January 15, 2024, the claim amount will also include postpetition interest accruing after January 15.

(4) This reflects the settled amount pursuant to the Mediated Settlement. If emergence is after January 15, 2024, the claim amount will also include postpetition interest accruing after January 15.

(5) This amount reflects the aggregate Miner Equipment Lender Claims as of the Petition Date, including the Miner Equipment Lender Deficiency Claims.

(6) Note that many M&M lien claims have been settled by the Debtors and approved by the Court.

(7) This amount does not include Miner Lender Deficiency Claims and is subject to adjustment based on the outcome of the various claim objections filed and to be filed.

## **Case Status: Agreement on Economic Terms of Mediated Settlement**

- The Debtors have reached agreements in principle with three of their five key stakeholder groups (the Ad Hoc Group, Equipment Lenders, and Official Equity Committee).
- In mid-July, the Debtors entered into an agreement in principle with the Equipment Lenders.
- On July 12, 2023, the Debtors entered into mediation with the Key Stakeholders, with Judge Marvin Isgur as the mediator (the “**Mediation**”).
- Following approximately two months of good faith negotiations in Mediation, the Debtors, the Ad Hoc Group, and the Official Equity Committee reached an agreement in principle with respect to certain key economic terms of a Plan (the “**Mediated Settlement**”).
  - On September 18, 2023, the parties filed a joint notice announcing the Mediated Settlement.
  - The parties have had multiple in person meetings and conferences over the past several weeks to resolve a number of open issues between the parties.
  - Mediation has been extended multiple times and was recently extended to October 31, 2023 to finalize and document the Mediated Settlement.
- The Debtors are nearing completion of negotiations among the Debtors, Ad Hoc Group, and the Official Equity Committee.
- The Debtors are also in ongoing discussions with their unsecured creditors (the UCC and B. Riley) to works towards reaching a global settlement.

# Illustrative Chapter 11 / ERO Timeline

| Event   | Illustrative Date <sup>(1)</sup> |
|---|----------------------------------|
| File Updated Plan, Disclosure Statement (“DS”), and Backstop Motion | October 31, 2023                 |
| Hearing on DS and Backstop Motion                                   | November 14, 2023, 2 p.m. CT     |
| Solicitation Begins / ERO Subscription Period Commences             | November 17, 2023                |
| Plan Supplement Deadline  | December 8, 2023                 |
| ERO Subscription Ends   | December 11, 2023                |
| Voting Deadline   | December 13, 2023                |
| Plan Objection Deadline   | December 15, 2023                |
| Confirmation Hearing  | December 22, 2023                |
| Effective Date  | January 2-5, 2023                |

(1) The timeline in this slide is illustrative and is subject to change. Actual dates will depend on the Court’s calendar and discretion, the status of negotiations with stakeholders, and stakeholder views on appropriate deadlines.

# Background on Core Scientific Inc.

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## Core Scientific Overview

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**OTC:**  
**CORZQ**

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**~145,000**

Company-Owned  
Bitcoin Miners <sup>1</sup>

**\$247.6M**

First Half 2023 Revenue  
(Unaudited)

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**15 EH/s**

Self-Mining  
Energized Hashrate <sup>1</sup>

**5 U.S. States**

Data Center Locations

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**32.1 BTC/Day**

Avg. Self-Mined  
in September 2023

**724MW**

Current operational  
capacity <sup>1</sup>

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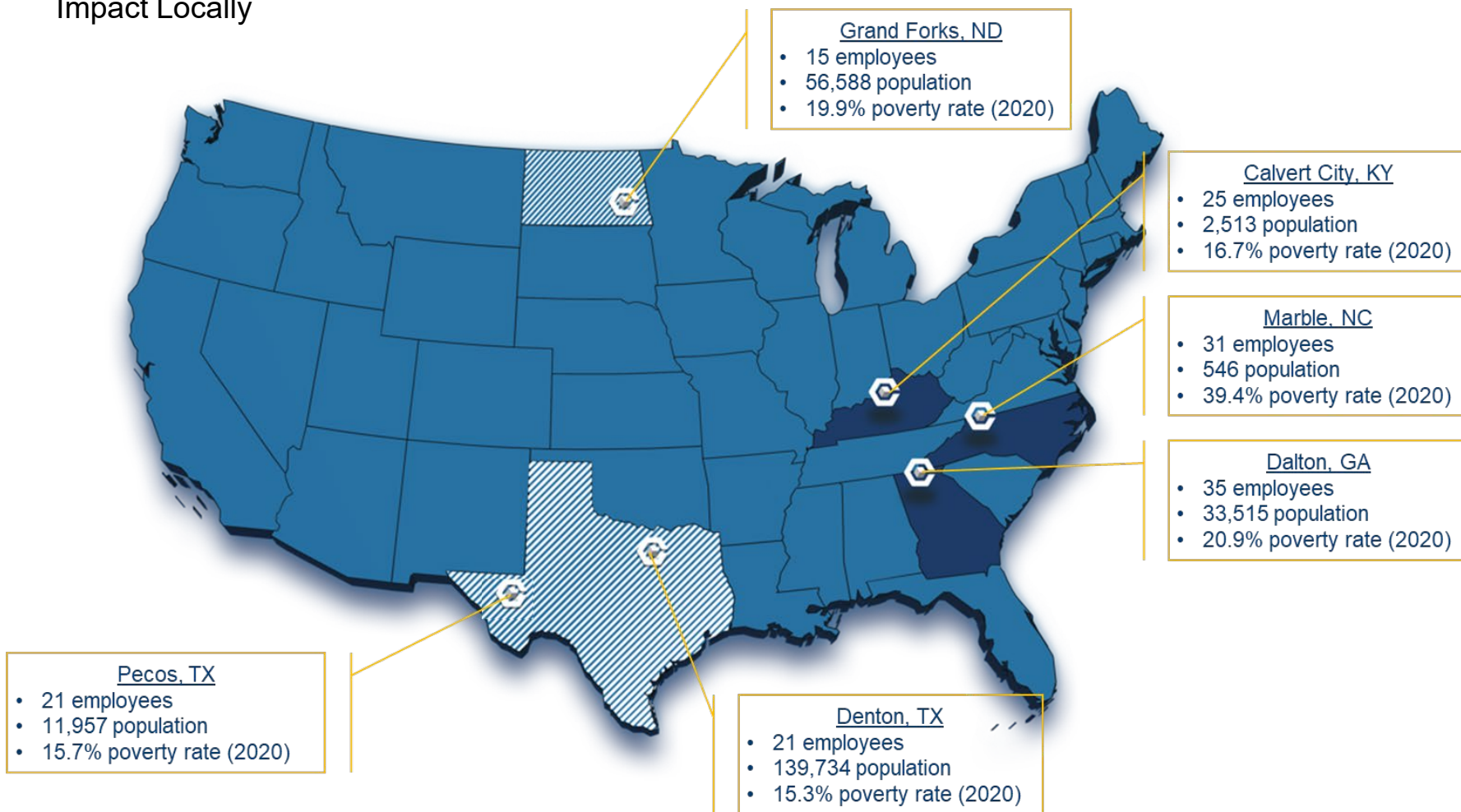
**372MW**

Planned Capacity Growth  
over Next Three Years

(1) As of 9/30/23

## Core Scientific Overview (Cont'd)

- Our Data Centers Employ 139 People Across Five U.S. States, Providing Training and Economic Impact Locally





# Business Model – How We Make Money



We buy electricity from local utilities to power our large data centers



We operate +200,000<sup>1</sup> specialized computers in our data centers



Core Scientific  
Computers  
(~70% of total)<sup>1</sup>



Customer  
Computers  
(~30% of total)<sup>1</sup>



The computers perform complex calculations that generate bitcoin



We receive all the bitcoin produced by our computers



We share the bitcoin produced by our customers' computers



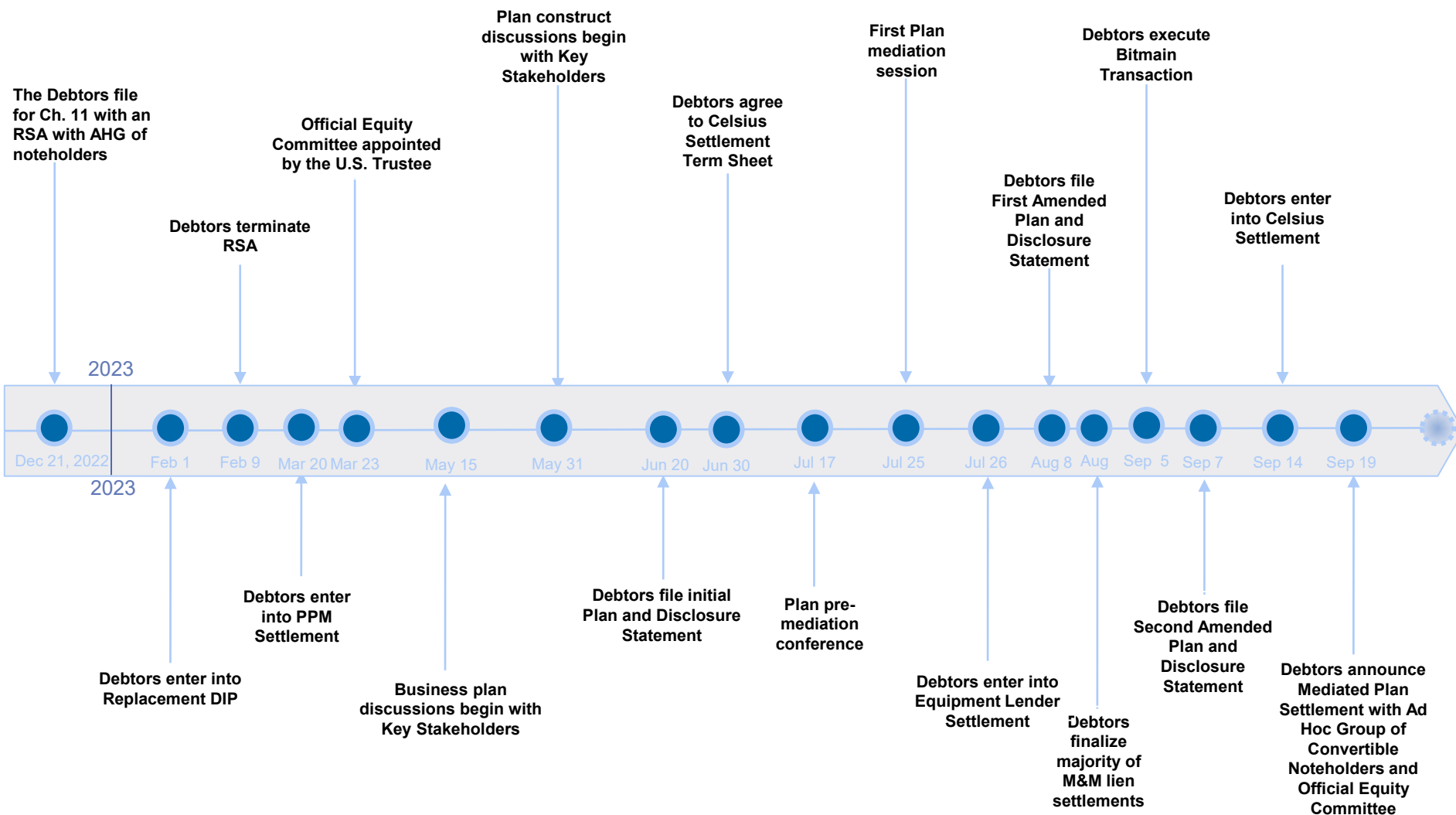
We sell our bitcoin for cash and receive cash payments from customers for hosting their computers

<sup>1</sup> as of May 31, 2023

# Progress During the Chapter 11 Cases

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# Timeline of Chapter 11 Cases



## Core: Background on Chapter 11 Cases

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- The Debtors filed for chapter 11 on December 21, 2022 with a restructuring support agreement (the “**Original RSA**”), which was tied to a DIP facility (the “**Original DIP**”) provided by the Ad Hoc Group of Convertible Noteholders (the “**Ad Hoc Group**”).
  - At the time of filing, the price of bitcoin was approx. \$16,800.
- Given changing market conditions post-filing, including a dramatic increase in bitcoin prices and lower energy prices, the Debtors engaged in a marketing process both inside and outside the capital structure to refinance the Original DIP on more favorable terms.
- On February 1, 2023, the Bankruptcy Court approved the Company’s replacement debtor-in-possession financing (the “**Replacement DIP**”), provided by the Debtors’ largest unsecured creditor, B. Riley Financial Inc. (“**B. Riley**”).
  - The Replacement DIP was funded on February 3 and the proceeds were used to, among other things, pay off the Original DIP.
  - The Debtors also terminated the Original RSA and began developing a business plan.

## Filing of Original Plan and Disclosure Statement

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- On May 10, 2023 the Debtors finalized their business plan and, along with their advisors, presented the business plan to and solicited feedback from their key stakeholder groups (the Ad Hoc Group, the Equipment Lenders, the UCC, B. Riley, and Official Equity Committee).
- After sharing the business plan, the Debtors and their advisors presented a consensual plan framework with the key stakeholders.
- Following approximately three (3) weeks of negotiation, the Debtors were unable to reach consensus as to plan structure.
- On June 20, 2023 the Debtors filed their initial plan of reorganization (Docket No. 974) and disclosure statement (Docket No. 975).
- The Debtors subsequently continued to engage in negotiations with each of the key stakeholders and proposed a global plan mediation.

# Equipment Lender Settlement

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- In mid-July, the Debtors entered into an agreement in principle with the Equipment Lenders.
- Pursuant to the settlement, the Equipment Lenders may choose from three options for the treatment of their claims:
  1. **Default Option:**
    - a) Take-Back Debt: (i) Take-back debt at a principal amount of the collateral value of the Equipment Lender's collateral under its loan(s); (ii) maturity of five (5) years; (iii) 10% interest; (iv) same collateral as under existing loan(s); and (v) no amortization.
    - b) Equitization: Remaining deficiency claim amount will be equitized at Plan Value.
  2. **Equitization Option:** 100% of the Equipment Lender claim equitized at Plan Value.
  3. **Settlement Option:**
    - a) Take-Back Debt: (i) Take-back debt at a principal amount of 80% of the Equipment Lender's claim; (ii) maturity of five (5) years; (iii) interest during the first two (2) years, at the Company's option at (A) 3% cash/10% PIK; (B) 5% cash/7% PIK, or (C) 8% cash; (iv) after two years, interest will be 10% cash; (v) same collateral as under existing loan(s), plus up to an additional \$52.5 million collateral in miners to be provided to Equipment Lenders electing this option, allocated on a pro rata basis; and (vi) 50% of principal to be amortized within the first three years, 25% amortized in Year 4, and 25% amortized in Year 5.
    - b) Deficiency Claim: recovery waived
- The Debtors will pay the Settling Equipment Lenders' professional fees, with an aggregate cap at \$4 million.

## Mediated Plan Settlement

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- As noted above, following months of negotiations in mediation, in early September, the Debtors, the Ad Hoc Group, and the Official Equity Committee reached an agreement in principle on certain key economic terms of the Plan.
- Since then, the parties have had several in person meetings and conference calls to finalize the details and resolve open issues among the Debtors, the Ad Hoc Group, and Official Equity Committee.
- The Debtors are now focused on finalizing the RSA and updating the chapter 11 plan and disclosure statement to reflect the Mediated Settlement.
- The Debtors are also in ongoing discussions with their unsecured creditors (the UCC and B. Riley) to works towards reaching a global settlement.

## Other Key Settlements and Transactions

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- The Debtors have also entered into a number of other key settlements and value-maximizing transactions, including:
  - **Celsius Settlement:** the Debtors finalized and obtained Court approval of a settlement with Celsius, their largest litigation claimant asserting more than \$300 million in claims against the estate.
    - Settlement involves sale of non-core assets and will generate \$14 million in proceeds for the estate.
  - **M&M Lien Settlements:** the Debtors entered into and obtained Court approval of settlements with multiple general contractors asserting M&M liens in aggregate amount of more than \$112 million.
  - **Bitmain Transaction:** the Debtors have entered into an agreement to acquire 27,000 miners from Bitmain for \$77.1 million, all of which will be paid post-emergence, with approximately \$53.9 million paid in equity in Reorganized Core and \$23.2 million in cash.
    - The transaction will expand the Debtors' self-mining operations, increase revenue generation, and preserve liquidity for the reorganized company by acquiring miners in exchange for primarily equity.
    - The Debtors intend to file a motion seeking approval of the Bitmain transaction in the near term.



## Other Pending Motions and Objections

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- **Exclusivity Motion:** On October 17, the Debtors filed a motion (ECF No. 1333) seeking an extension of the exclusive chapter 11 plan filing period to December 16, 2023 and the exclusive plan solicitation period to February 16, 2024. The Ad Hoc Group, Equipment Lenders, and Official Equity Committee support the extension.
- **Motion to Approve Harper Settlement:** The Debtors filed a motion seeking approval of a settlement with Harper Construction Company, Inc. (ECF No. 1189) to resolve Harper's asserted claims of approximately \$20 million (approximately \$10 million of which is secured by M&M liens). The Debtors are working through informal comments and hope to file a Certificate of No Objection later this week.
- **Claims Objections:** The Debtors have filed a number of objections to claims that will need to be resolved, including objections to claims filed by (i) Sphere 3D Corp. ("**Sphere**"), (ii) Morgan Hoffman, (iii) GEM Mining entities, (iv) Harlin Dean, and (v) Oklahoma Gas and Electric Company.
- Below are two claim objections that are either scheduled for trial or otherwise ready to be scheduled for a hearing.
  - **Sphere:**
    - On April 13, 2023, Sphere 3D Corp. ("**Sphere**") filed Proofs of Claim Nos. 358 and 359 (the "**Sphere POCs**"), asserting claims of approximately \$39 million based on hosting contracts. The Debtors objected to the Sphere POCs.
    - On August 30, 2023, the Court entered an agreed scheduling order (Docket No. 1188), scheduling a trial on the Sphere POCs to commence January 3, 2024 at 9:00 a.m. (prevailing Central Time).
  - **Securities Class Action:**
    - On November 14, 2022, a putative class action lawsuit, *Pang v. Levitt, et. al* 1:22-cv-01191, was filed in the Western District of Texas against Core Scientific, Inc. and certain employees of the Debtors, alleging violations of the Securities Exchange Act (the "**Securities Class Action**").
    - Morgan Hoffman, on behalf of himself and ostensibly the plaintiffs in the Securities Class Action, filed Proof of Claim No. 632 (amending Proof of Claim No. 556) against Debtor Core Scientific Inc. in the amount of \$188.6 million (the "**Securities POC**").
    - The Debtors and Hoffman are currently in dispute as to whether the Securities POC was properly filed as a class proof of claim.
  - In the coming weeks the Debtors intend to file objections to various other claims.

# Next Steps

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## Next Steps

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1. Finalize the RSA among the Debtors, Ad Hoc Group, and Official Equity Committee.
2. Finalize the Debtors' backstop commitment agreement and file a motion seeking approval of such backstop commitment agreement to be heard at the November 14 hearing.
3. Continue discussions with the UCC and B. Riley to works towards reaching a global settlement.
4. Move forward with hearing on the Debtors' Disclosure Statement scheduled for November 14.